

<i>SERFF Tracking Number:</i>	<i>PHAR-125700738</i>	<i>State:</i>	<i>Arkansas</i>
<i>Filing Company:</i>	<i>Pharmacists Mutual Insurance Company</i>	<i>State Tracking Number:</i>	<i>EFT \$100</i>
<i>Company Tracking Number:</i>	<i>AR-WCV-09-08-RA</i>		
<i>TOI:</i>	<i>16.0 Workers Compensation</i>	<i>Sub-TOI:</i>	<i>16.0000 WC Sub-TOI Combinations</i>
<i>Product Name:</i>	<i>Workers Compensation</i>		
<i>Project Name/Number:</i>	<i>AR-WCV-09-08-RA/AR-WCV-09-08-RA</i>		

## Filing at a Glance

Company: Pharmacists Mutual Insurance Company

Product Name: Workers Compensation	SERFF Tr Num: PHAR-125700738	State: Arkansas
TOI: 16.0 Workers Compensation	SERFF Status: Closed	State Tr Num: EFT \$100
Sub-TOI: 16.0000 WC Sub-TOI Combinations	Co Tr Num: AR-WCV-09-08-RA	State Status: Fees verified and received
Filing Type: Rate	Co Status:	Reviewer(s): Betty Montesi, Carol Stiffler
	Authors: Heidi Allen, Kris Laubenthal	Disposition Date: 07/02/2008
	Date Submitted: 07/01/2008	Disposition Status: Approved
Effective Date Requested (New): 09/01/2008		Effective Date (New): 09/01/2008
Effective Date Requested (Renewal): 09/01/2008		Effective Date (Renewal):
State Filing Description:		

## General Information

Project Name: AR-WCV-09-08-RA	Status of Filing in Domicile:
Project Number: AR-WCV-09-08-RA	Domicile Status Comments:
Reference Organization: NCCI	Reference Number: AR-2008-02
Reference Title:	Advisory Org. Circular: AR-2008-06
Filing Status Changed: 07/02/2008	
State Status Changed: 07/01/2008	Deemer Date:
Corresponding Filing Tracking Number:	
Filing Description:	

Pharmacists Mutual Insurance Company is a member of NCCI for our Worker's Compensation program in Arkansas. The purpose of this filing is to adopt their recent loss cost revision. Our loss cost multipliers will be as follows: class codes 8045 and 7380 will be change from 1.226 to 1.400; Class 8835 of will change from 1.427 to 1.720, and All Other Classes will remain at 1.226. Overall the rate level change will be -1.4%.

Pharmacists Mutual is requesting that this filing become effective for all policies on and after September 1, 2008.

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## Company and Contact

### Filing Contact Information

Kris Laubenthal, State Filings Analyst	kris.laubenthal@phmic.com
PO Box 370	(515) 295-2461 [Phone]
Algona, IA 50511	

### Filing Company Information

Pharmacists Mutual Insurance Company	CoCode: 13714	State of Domicile: Iowa
808 Highway 18 West	Group Code: 775	Company Type: Mutual
P.O. Box 370		
Algona, IA 50511	Group Name:	State ID Number:
(800) 247-5930 ext. [Phone]	FEIN Number: 42-0223390	

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## Filing Fees

Fee Required?	Yes
Fee Amount:	\$100.00
Retaliatory?	No
Fee Explanation:	Loss cost adoption with change to loss cost multiplier.
Per Company:	No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
Pharmacists Mutual Insurance Company	\$100.00	07/01/2008	21183497

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## Correspondence Summary

### Dispositions

<b>Status</b>	<b>Created By</b>	<b>Created On</b>	<b>Date Submitted</b>
Approved	Carol Stiffler	07/02/2008	07/02/2008

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## Disposition

Disposition Date: 07/02/2008

Effective Date (New): 09/01/2008

Effective Date (Renewal):

Status: Approved

Comment:

<b>Company Name:</b>	<b>Overall % Rate Impact:</b>	<b>Written Premium Change for this Program:</b>	<b># of Policy Holders Affected for this Program:</b>	<b>Premium:</b>	<b>Maximum % Change (where required):</b>	<b>Minimum % Change (where required):</b>	<b>Overall % Indicated Change:</b>
Pharmacists Mutual Insurance Company	-1.400%	\$-4,281	207	\$305,778	%	%	-10.300%

SERFF Tracking Number: PHAR-125700738 State: Arkansas

Filing Company: Pharmacists Mutual Insurance Company State Tracking Number: EFT \$100

Company Tracking Number: AR-WCV-09-08-RA

TOI: 16.0 Workers Compensation Sub-TOI: 16.0000 WC Sub-TOI Combinations

Product Name: Workers Compensation

Project Name/Number: AR-WCV-09-08-RA/AR-WCV-09-08-RA

Item Type	Item Name	Item Status	Public Access
Supporting Document	Uniform Transmittal Document-Property & Casualty	Approved	Yes
Supporting Document	NAIC Loss Cost Filing Document for Workers' Compensation	Approved	Yes
Supporting Document	NAIC loss cost data entry document	Approved	Yes
Supporting Document	Filing Memorandum	Approved	Yes
Rate	Workers' Compensation & Employers Liability	Approved	Yes
Rate	Miscellaneous Values Page	Approved	Yes
Rate	Manual Exception Page - Arkansas	Approved	Yes

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## Rate Information

Rate data applies to filing.

<b>Filing Method:</b>	Prior Approval
<b>Rate Change Type:</b>	Decrease
<b>Overall Percentage of Last Rate Revision:</b>	0.000%
<b>Effective Date of Last Rate Revision:</b>	02/01/2008
<b>Filing Method of Last Filing:</b>	Prior Approval

## Company Rate Information

<b>Company Name:</b>	<b>Overall % Indicated Change:</b>	<b>Overall % Rate Impact:</b>	<b>Written Premium Change for this Program:</b>	<b># of Policy Holders Affected for this Program:</b>	<b>Premium:</b>	<b>Maximum % Change (where required):</b>	<b>Minimum % Change (where required):</b>
Pharmacists Mutual Insurance Company	-10.300%	-1.400%	\$-4,281	207	\$305,778	%	%

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## Rate/Rule Schedule

<b>Review Status:</b>	<b>Exhibit Name:</b>	<b>Rule # or Page #:</b>	<b>Rate Action</b>	<b>Previous State Filing Attachments Number:</b>
Approved	Workers' Compensation & Employers Liability		Replacement	Prior State Filing Number was listed as "EFT \$100" AR WC & Employers Liability 09-08.pdf
Approved	Miscellaneous Values Page		Replacement	Prior State Filing Number was listed as "EFT \$100" AR Misc Values Page 09-08.pdf
Approved	Manual Exception Page - Arkansas		Replacement	Prior State Filing Number was listed as "EFT \$100" AR Manual Exception Page 09-08.pdf

Workers' Compensation  
and Employer's Liability  
Effective 9/1/2008

ARKANSAS (03)

<b>CLASS CODE</b>	<b>RATE INCL DISEASE</b>	<b>MINIMUM PREMIUM</b>
83	7.23	750.00
3865	0.94	327.00
4361	0.98	332.00
4611	0.71	296.00
4635	3.67	695.00
4693	0.69	293.00
7380	3.11	620.00
8008	0.98	332.00
8010	1.52	405.00
8013	0.39	253.00
8017	0.94	327.00
8033	1.52	405.00
8044	2.22	500.00
8045	0.38	251.00
8292	2.39	523.00
8742	0.38	251.00
8810	0.20	226.00
8820	0.17	223.00
8832	0.22	230.00
8833	0.72	298.00
8835	2.22	500.00
9015	1.94	462.00
9063	0.80	308.00
9082	1.29	374.00
9083	1.30	375.00
9084	1.51	404.00
9519	1.47	399.00
Per Capita		
908	105.00	\$305.00
913	260.00	\$460.00
EXPENSE CONSTANT	\$200	
MINIMUM PREMIUM MULTIPLIER	135	
MAXIMUM MINIMUM PREMIUM	\$750	
LOSS COST MULTIPLIER - class 8835	1.720	
LOSS COST MULTIPLIER - classes 8045 & 7380	1.400	
LOSS COST MULTIPLIER - all other	1.226	
Foreign Terrorism	0.02	
Domestic Terrorism	0.01	



## MISCELLANEOUS VALUES

**Basis of Premium** applicable in accordance with the *Basic Manual* footnote instructions for Code:

7370 - "Taxicab Co.":

Employee operated vehicle.....	\$48,893.00
Leased or rented vehicle.....	\$32,595.00

7420 - "Aviation - Aerial Application, Seeding, Herding, or Scintillometer Surveying - Flying Crew"

Maximum payroll per week per employee.....	\$750.00
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**Domestic Terrorism, Earthquakes and Catastrophic Industrial Accidents** (Advisory Rate)..... \$0.01

**Foreign Terrorism** (Advisory Rate)..... \$0.02

**Maximum Payroll** applicable in accordance with *Basic Manual* Rule 2-E-1 --

"Executive Officers" and the *Basic Manual* footnote instructions for Code 9178 - "Athletic Team:

Non-Contact Sports", Code 9179 - "Athletic Team: Contact Sports" and Code 9186 -

"Carnival - Traveling"..... \$2,500.00

**Minimum Payroll** applicable in accordance with *Basic Manual* Rule 2-E-1 --

"Executive Officers"..... \$300.00

**Per Passenger Seat Surcharge** - In accordance with the *Basic Manual* footnote instructions for Code 7421, the surcharge is

Maximum surcharge per aircraft.....	\$1,000.00
Per passenger seat.....	\$100.00

**Premium Determination for Partners and Sole Proprietors and Members of Limited Liability**

**Companies** in accordance with *Basic Manual* Rule 2-E-3..... \$31,900.00

**United States Longshore and Harbor Workers' Compensation Coverage Percentage**

applicable only in connection with *Basic Manual* Rule 3-A-4..... 86%

(Multiply a Non-F classification rate by a factor of 1.86 to adjust for differences in benefits and loss-based expenses. This factor is the product of the adjustment for differences in benefits (1.67) and the adjustment for the differences in loss-based expenses (1.116).)

### Experience Rating Eligibility

A risk is eligible for intrastate experience rating when the payrolls or other exposures developed in the last year or last two years of the experience period produced a premium of at least \$8,000. If more than two years, an average annual premium of at least \$4,000 is required. Page A-1 of the *Experience Rating Plan Manual* should be referenced for the latest approved eligibility amounts by state.

**Premium Reduction Percentages** - The following percentages are applicable by deductible amount and hazard group on a per claim basis:

	TOTAL LOSSES						
Deductible	Hazard Group						
Amount	A	B	C	D	E	F	G
\$1,000	10.6%	8.5%	7.3%	6.1%	5.1%	3.5%	2.6%
\$1,500	13.0%	10.5%	8.9%	7.5%	6.4%	4.4%	3.4%
\$2,000	14.8%	12.0%	10.3%	8.8%	7.4%	5.3%	4.0%
\$2,500	16.5%	13.3%	11.5%	9.9%	8.3%	6.1%	4.6%
\$3,000	17.8%	14.6%	12.6%	10.8%	9.3%	6.7%	5.1%
\$3,500	19.2%	15.6%	13.6%	11.7%	10.0%	7.4%	5.6%
\$4,000	20.3%	16.6%	14.6%	12.6%	10.7%	7.9%	6.1%
\$4,500	21.4%	17.6%	15.4%	13.3%	11.5%	8.5%	6.5%
\$5,000	22.4%	18.5%	16.2%	14.2%	12.1%	9.1%	6.9%

	MEDICAL LOSSES ONLY						
Deductible	Hazard Group						
Amount	A	B	C	D	E	F	G
\$1,000	10.3%	8.3%	7.0%	5.8%	4.9%	3.4%	2.5%
\$1,500	12.4%	10.0%	8.5%	7.2%	6.1%	4.2%	3.1%
\$2,000	14.0%	11.3%	9.7%	8.2%	7.0%	4.8%	3.7%
\$2,500	15.3%	12.4%	10.7%	9.1%	7.7%	5.5%	4.1%
\$3,000	16.5%	13.4%	11.6%	9.9%	8.3%	6.0%	4.5%
\$3,500	17.4%	14.3%	12.4%	10.6%	9.0%	6.5%	4.9%
\$4,000	18.4%	15.1%	13.1%	11.2%	9.6%	7.0%	5.2%
\$4,500	19.2%	15.8%	13.8%	11.9%	10.1%	7.4%	5.6%
\$5,000	20.0%	16.5%	14.3%	12.4%	10.6%	7.8%	5.9%

	INDEMNITY LOSSES ONLY						
Deductible	Hazard Group						
Amount	A	B	C	D	E	F	G
\$1,000	2.2%	1.7%	1.6%	1.5%	1.3%	1.1%	0.8%
\$1,500	3.0%	2.4%	2.2%	2.0%	1.8%	1.6%	1.1%
\$2,000	3.8%	3.0%	2.8%	2.6%	2.3%	1.9%	1.5%
\$2,500	4.4%	3.6%	3.3%	3.1%	2.7%	2.3%	1.7%
\$3,000	5.1%	4.1%	3.8%	3.5%	3.1%	2.6%	2.0%
\$3,500	5.6%	4.6%	4.3%	3.9%	3.5%	2.9%	2.2%
\$4,000	6.1%	5.1%	4.7%	4.3%	3.8%	3.3%	2.5%
\$4,500	6.6%	5.5%	5.1%	4.7%	4.2%	3.5%	2.7%
\$5,000	7.1%	5.9%	5.4%	5.1%	4.5%	3.8%	2.9%

PHARMACISTS MUTUAL INSURANCE COMPANY  
Workers Compensation and Employers Liability  
MANUAL EXCEPTION PAGE - ARKANSAS  
Effective September 1, 2008

**APPENDIX D: SCHEDULE RATING PLAN - has been withdrawn and replaced by the following:**

1. Eligibility
  - A. All risks are eligible for this Plan.
  - B. This Plan is not applicable to residual market policyholders covered under the Workers Compensation Insurance Plan (WCIP).
2. Application
  - A. The amount of the schedule rating factor is subject to a maximum of 25%.
  - B. The amount of the schedule rating factor is applied in a multiplicative manner after application of the experience rating modification (if an experience rated risk) and before the application of premium discount and expense constant.
  - C. The credit or debit must be within the range for a specific risk characteristic as provided in this Plan.
  - D. At the time that the schedule rating factor is applied, Pharmacists Mutual Insurance Company will have documentation on file detailing the basis for the credit or debit. This documentation will be provided to the insured on request.
  - E. The effective date of the schedule rating factor will be on or after the date of Pharmacist Mutual Insurance Company's receipt of the documentation supporting the basis for the schedule rating factor.
  - F. If the insured can correct the reason for any schedule debit to the satisfaction of the carrier, the debit may be removed effective on the date that documentation for the correction is received in Pharmacist Mutual Insurance Company's office.
3. Schedule Rating Table

The premium for a risk may be modified according to the Schedule Rating Table to reflect such characteristics of the risk that are not reflected in its experience. Seven categories are considered when determining any credit or debit under this Plan.

		<u>Range of Modifications</u>		
		<u>Credit</u>		<u>Debit</u>
A.	Premises-Conditions, Care	10%	to	10%
B.	Classifications Peculiarities	10%	to	10%
C.	Medical Facilities	5%	to	5%
D.	Safety Devices		5%	to 5%
E.	Employees-Selection, Training, Supervision	10%	to	10%
F.	Management			
	1. Cooperation with insurance carrier	5%	to	5%
	2. Safety Organization	5%	to	5%

PHARMACISTS MUTUAL INSURANCE COMPANY  
Workers Compensation and Employers Liability  
MANUAL EXCEPTION PAGE - ARKANSAS  
Effective September 1, 2008

Changing "Loss Costs" to Basic Policy Rates:

Pharmacists Mutual Insurance Company will use a loss cost multiplier with all "Loss Costs" established by the National Council on Compensation Insurance for all classification codes. The Loss Cost Multipliers will be 1.720 for class code 8835, 1.400 for class codes 7380 & 8045, and 1.226 for all other class codes.

Minimum Premium Formula:

Minimum Premium = Minimum Premium Multiplier X Rate + Expense Constant

Minimum Premium Multiplier = 135

Maximum Minimum Premium = \$750.00

Expense Constant applicable in accordance with Basic Manual Rule 3-A-11 = \$200.00

Minimum Premium Formula for Per Capita Classifications:

Per Capita Minimum Premium = Rate + Expense Constant

**Premium Discount Percentages** - (See Basic Manual Rule 3-A-19). Pharmacists Mutual Insurance Company will use Table 8 – Type B Carriers Premium Discount Tables (Basic Manual - Appendix A) to determine premium discounts applicable to Standard Premiums. Table 8 is based on the following discounts:

		<u>Non-Stock</u>
First	\$5,000	-
Next	95,000	3.5%
Next	400,000	5.0
Over	500,000	7.0

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## Supporting Document Schedules

	<b>Review Status:</b>	
<b>Bypassed -Name:</b>	Uniform Transmittal Document-Property & Casualty	Approved 07/02/2008
<b>Bypass Reason:</b>	All information formerly found in the Transmittal Document is located in the General Information and Rate/Rule Schedule tabs.	
<b>Comments:</b>		

	<b>Review Status:</b>	
<b>Satisfied -Name:</b>	NAIC Loss Cost Filing Document for Workers' Compensation	Approved 07/02/2008
<b>Comments:</b>		
<b>Attachments:</b>		
Loss Cost Filing Document for WC 7380 and 8045 09-08.pdf		
Loss Cost Filing Document for WC 8835 09-08.pdf		
Loss Cost Filing Document for All Other Classes 09-08.pdf		

	<b>Review Status:</b>	
<b>Satisfied -Name:</b>	NAIC loss cost data entry document	Approved 07/02/2008
<b>Comments:</b>		
<b>Attachment:</b>		
Loss Cost Data Entry Document 09-08.pdf		

	<b>Review Status:</b>	
<b>Satisfied -Name:</b>	Filing Memorandum	Approved 07/02/2008
<b>Comments:</b>		
<b>Attachments:</b>		
Rate Filing Memorandum AR WCV 09-08.pdf		
Exhibits AR WCV 09-08.pdf		
Filing Summary AR WCV 09-08.pdf		

**FORM RF-WC NAIC LOSS COST FILING DOCUMENT—FOR WORKERS' COMPENSATION**

**CALCULATION OF COMPANY LOSS COST MULTIPLIER – CLASSES 7380 & 8045 ONLY**

<b>This filing transmittal is part of Company Tracking #</b>	AR-WCV-09-08-RA
<b>This filing corresponds to form filing number</b> (Company tracking number of form filing, if applicable)	

☒ **Loss Cost Reference Filing** AR-2008-06      ☐ **Independent Rate Filing**  
(Advisory Org. & Reference filing #)

**If this is a loss cost filing adopting an advisory organization's loss costs, the above insurer hereby declares that it is a member, subscriber or service purchaser of the named advisory organization for this line of insurance. The insurer hereby files (to be deemed to have independently submitted as its own filing) the prospective loss costs in the captioned Reference Filing. The insurer's rates will be the combination of the prospective loss costs and the loss cost multipliers and, if utilized, the expense constants specified in the attachments.**

**1. Check one of the following:**

☒ The insurer hereby files to have its loss cost multipliers and, if utilized, expense constants be applicable to future revisions of the advisory organization's prospective loss costs for this line of insurance. The insurer's rates will be the combination of the advisory organization's prospective loss costs and the insurer's loss cost multipliers and if utilized, expense constants specified in the attachments. The rates will apply to policies written on or after the effective date of the advisory organization's prospective loss costs. This authorization is effective until disapproved by the Commissioner, or until amended or withdrawn by the insurer.

**Note: Some states have statutes that prohibit this option for some lines of business.**

☐ The insurer hereby files to have its loss cost multipliers and, if utilized, expense constants be applicable only to the above Advisory Organization Reference Filing.

**2. Does this filing apply to all class codes? No**

**If no, complete a copy of this form for each affected class with appropriate justification.**

**3. Loss cost modification:**

**A.** The insurer hereby files to adopt the prospective loss costs in the captioned reference filing:  
(Check One)

☐ Without Modification (factor = 1.000)

☒ With the following modification(s). (Cite the nature and percent modification, and attach supporting data and/or rationale for the modification.) +13.5%; We feel this modification is necessary to remain competitive in our niche market.

**B.** Loss Cost Modification Expressed as a Factor: (See Examples Below) 1.135

Example 1: Loss cost Modification Factor: If your company's loss cost modification is -10%, a factor of .90 (1.000 - .100) should be used.

Example 2: Loss cost Modification Factor: If your company's loss cost modification is =15%, a factor of 1.15 (1.000 + .150) should be used.

**NOTE: IF EXPENSE CONSTANTS ARE UTILIZED ATTACH "EXPENSE CONSTANT SUPPLEMENT" OR OTHER SUPPORTING INFORMATION. DO NOT COMPLETE ITEMS 4-11 BELOW.**

**4. Development of Expected Loss and Loss Adjustment Expense (Target Cost) Ratio.**

**(Attach exhibit detailing insurer expense data, impact of premium discount plans, and/or other supporting information.)**

**PROJECTED EXPENSES: Compared to standard premium at company rates.**

		<b>Selected Provisions</b>	
<b>A.</b>	<b>Total Production Expense</b>	16.0	%
<b>B.</b>	<b>General Expense</b>	6.5	%
<b>C.</b>	<b>Taxes, Licenses &amp; Fee</b>	2.5	%
<b>D.</b>	<b>Underwriting profit &amp; contingencies*</b>	1.9	%
<b>E.</b>	<b>Other (explain)</b>		%
<b>F.</b>	<b>Total</b>	26.9	%
	<b>* Explain how investment income is taken into account</b>		

<b>5. A.</b>	<b>Expected Loss Ratio: ELR = 100% - 4F =</b>	73.1
<b>B.</b>	<b>ELR in Decimal Form =</b>	.731

**NAIC LOSS COST FILING DOCUMENT—FOR WORKERS' COMPENSATION**

6.	Overall Impact of Expense Constant and Minimum Premiums: (a 2.3% impact would be expressed as 1.023)	1.119
7.	Overall Impact of Size-of-Risk Discounts plus Expense Graduation Recognition in Retrospective Rating: (An 8.6% average discount would be expressed as 0.914)	.993
8.	Company Formula Loss Cost Multiplier [3B / ((7 – 4F) X 6)]	1.400
9.	Company Selected Loss Cost Multiplier = (Attach explanation for any differences between 6 and 7)	1.400

- |     |   |                          |                                     |
|-----|---|--------------------------|-------------------------------------|
|     |   | Yes                      | No                                  |
| 10. | <b>Are you amending your minimum premium formula?</b>   |                          |                                     |
|     | If yes, attach documentation, including rate level impact as well as changes in multipliers, expense constants, maximum, etc. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 11. | <b>Are you changing your premium discount schedules?</b>  |                          |                                     |
|     | If yes, attach schedules and support, detailing premium or rate level changes.  | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

**FORM RF-WC NAIC LOSS COST FILING DOCUMENT—FOR WORKERS' COMPENSATION**

**CALCULATION OF COMPANY LOSS COST MULTIPLIER – CLASS 8835 ONLY**

<b>This filing transmittal is part of Company Tracking #</b>	AR-WCV-09-08-RA
<b>This filing corresponds to form filing number</b> (Company tracking number of form filing, if applicable)	

☒ **Loss Cost Reference Filing** AR-2008-06      ☐ **Independent Rate Filing**  
(Advisory Org. & Reference filing #)

**If this is a loss cost filing adopting an advisory organization's loss costs, the above insurer hereby declares that it is a member, subscriber or service purchaser of the named advisory organization for this line of insurance. The insurer hereby files (to be deemed to have independently submitted as its own filing) the prospective loss costs in the captioned Reference Filing. The insurer's rates will be the combination of the prospective loss costs and the loss cost multipliers and, if utilized, the expense constants specified in the attachments.**

**1. Check one of the following:**

☒ The insurer hereby files to have its loss cost multipliers and, if utilized, expense constants be applicable to future revisions of the advisory organization's prospective loss costs for this line of insurance. The insurer's rates will be the combination of the advisory organization's prospective loss costs and the insurer's loss cost multipliers and if utilized, expense constants specified in the attachments. The rates will apply to policies written on or after the effective date of the advisory organization's prospective loss costs. This authorization is effective until disapproved by the Commissioner, or until amended or withdrawn by the insurer.

**Note: Some states have statutes that prohibit this option for some lines of business.**

☐ The insurer hereby files to have its loss cost multipliers and, if utilized, expense constants be applicable only to the above Advisory Organization Reference Filing.

**2. Does this filing apply to all class codes? No**

**If no, complete a copy of this form for each affected class with appropriate justification.**

**3. Loss cost modification:**

**A.** The insurer hereby files to adopt the prospective loss costs in the captioned reference filing:  
(Check One)

☐ Without Modification (factor = 1.000)

☒ With the following modification(s). (Cite the nature and percent modification, and attach supporting data and/or rationale for the modification.) +39.4%; We feel this modification is necessary to remain competitive in our niche market.

**B.** Loss Cost Modification Expressed as a Factor: (See Examples Below) 1.394

Example 1: Loss cost Modification Factor: If your company's loss cost modification is -10%, a factor of .90 (1.000 - .100) should be used.

Example 2: Loss cost Modification Factor: If your company's loss cost modification is =15%, a factor of 1.15 (1.000 + .150) should be used.

**NOTE: IF EXPENSE CONSTANTS ARE UTILIZED ATTACH "EXPENSE CONSTANT SUPPLEMENT" OR OTHER SUPPORTING INFORMATION. DO NOT COMPLETE ITEMS 4-11 BELOW.**

**4. Development of Expected Loss and Loss Adjustment Expense (Target Cost) Ratio.**

**(Attach exhibit detailing insurer expense data, impact of premium discount plans, and/or other supporting information.)**

**PROJECTED EXPENSES: Compared to standard premium at company rates.**

		<b>Selected Provisions</b>	
<b>A.</b>	<b>Total Production Expense</b>	16.0	%
<b>B.</b>	<b>General Expense</b>	6.5	%
<b>C.</b>	<b>Taxes, Licenses &amp; Fee</b>	2.5	%
<b>D.</b>	<b>Underwriting profit &amp; contingencies*</b>	1.9	%
<b>E.</b>	<b>Other (explain)</b>		%
<b>F.</b>	<b>Total</b>	26.9	%
	<b>* Explain how investment income is taken into account</b>		

<b>5. A.</b>	<b>Expected Loss Ratio: ELR = 100% - 4F =</b>	73.1
<b>B.</b>	<b>ELR in Decimal Form =</b>	.731



**NAIC LOSS COST FILING DOCUMENT—FOR WORKERS' COMPENSATION**

6.	Overall Impact of Expense Constant and Minimum Premiums: (a 2.3% impact would be expressed as 1.023)	1.119
7.	Overall Impact of Size-of-Risk Discounts plus Expense Graduation Recognition in Retrospective Rating: (An 8.6% average discount would be expressed as 0.914)	.993
8.	Company Formula Loss Cost Multiplier [3B / ((7 – 4F) X 6)]	1.720
9.	Company Selected Loss Cost Multiplier = (Attach explanation for any differences between 6 and 7)	1.720

- |     |   |                          |                                     |
|-----|---|--------------------------|-------------------------------------|
|     |   | Yes                      | No                                  |
| 10. | <b>Are you amending your minimum premium formula?</b>   |                          |                                     |
|     | If yes, attach documentation, including rate level impact as well as changes in multipliers, expense constants, maximum, etc. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 11. | <b>Are you changing your premium discount schedules?</b>  |                          |                                     |
|     | If yes, attach schedules and support, detailing premium or rate level changes.  | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

**FORM RF-WC NAIC LOSS COST FILING DOCUMENT—FOR WORKERS' COMPENSATION**

**CALCULATION OF COMPANY LOSS COST MULTIPLIER – ALL OTHER CLASSES EXCEPT 7380, 8045 & 8835**

<b>This filing transmittal is part of Company Tracking #</b>	AR-WCV-09-08-RA
<b>This filing corresponds to form filing number</b> (Company tracking number of form filing, if applicable)	

- ☒ **Loss Cost Reference Filing** AR-2008-06    ☐ **Independent Rate Filing**  
(Advisory Org. & Reference filing #)

**If this is a loss cost filing adopting an advisory organization's loss costs, the above insurer hereby declares that it is a member, subscriber or service purchaser of the named advisory organization for this line of insurance. The insurer hereby files (to be deemed to have independently submitted as its own filing) the prospective loss costs in the captioned Reference Filing. The insurer's rates will be the combination of the prospective loss costs and the loss cost multipliers and, if utilized, the expense constants specified in the attachments.**

**1. Check one of the following:**

- ☒ The insurer hereby files to have its loss cost multipliers and, if utilized, expense constants be applicable to future revisions of the advisory organization's prospective loss costs for this line of insurance. The insurer's rates will be the combination of the advisory organization's prospective loss costs and the insurer's loss cost multipliers and if utilized, expense constants specified in the attachments. The rates will apply to policies written on or after the effective date of the advisory organization's prospective loss costs. This authorization is effective until disapproved by the Commissioner, or until amended or withdrawn by the insurer.

**Note: Some states have statutes that prohibit this option for some lines of business.**

- ☐ The insurer hereby files to have its loss cost multipliers and, if utilized, expense constants be applicable only to the above Advisory Organization Reference Filing.

**2. Does this filing apply to all class codes? No**

**If no, complete a copy of this form for each affected class with appropriate justification.**

**3. Loss cost modification:**

**A.** The insurer hereby files to adopt the prospective loss costs in the captioned reference filing:  
(Check One)

- ☐ Without Modification (factor = 1.000)
- ☒ With the following modification(s). (Cite the nature and percent modification, and attach supporting data and/or rationale for the modification.) -.006%; We feel this modification is necessary to remain competitive in our niche market.

**B.** Loss Cost Modification Expressed as a Factor: (See Examples Below)0.994

Example 1: Loss cost Modification Factor: If your company's loss cost modification is -10%, a factor of .90 (1.000 - .100) should be used.

Example 2: Loss cost Modification Factor: If your company's loss cost modification is =15%, a factor of 1.15 (1.000 + .150) should be used.

**NOTE: IF EXPENSE CONSTANTS ARE UTILIZED ATTACH "EXPENSE CONSTANT SUPPLEMENT" OR OTHER SUPPORTING INFORMATION. DO NOT COMPLETE ITEMS 4-11 BELOW.**

**4. Development of Expected Loss and Loss Adjustment Expense (Target Cost) Ratio.**

**(Attach exhibit detailing insurer expense data, impact of premium discount plans, and/or other supporting information.)**

**PROJECTED EXPENSES: Compared to standard premium at company rates.**

		<b>Selected Provisions</b>	
<b>A.</b>	<b>Total Production Expense</b>	16.0	%
<b>B.</b>	<b>General Expense</b>	6.5	%
<b>C.</b>	<b>Taxes, Licenses &amp; Fee</b>	2.5	%
<b>D.</b>	<b>Underwriting profit &amp; contingencies*</b>	1.9	%
<b>E.</b>	<b>Other (explain)</b>		%
<b>F.</b>	<b>Total</b>	26.9	%
	<b>* Explain how investment income is taken into account</b>		

<b>5. A.</b>	<b>Expected Loss Ratio: ELR = 100% - 4F =</b>	73.1
<b>B.</b>	<b>ELR in Decimal Form =</b>	.731

**NAIC LOSS COST FILING DOCUMENT—FOR WORKERS' COMPENSATION**

6.	Overall Impact of Expense Constant and Minimum Premiums: (a 2.3% impact would be expressed as 1.023)	1.119
7.	Overall Impact of Size-of-Risk Discounts plus Expense Graduation Recognition in Retrospective Rating: (An 8.6% average discount would be expressed as 0.914)	.993
8.	Company Formula Loss Cost Multiplier [3B / ((7 – 4F) X 6)]	1.226
9.	Company Selected Loss Cost Multiplier = (Attach explanation for any differences between 6 and 7)	1.226

- |     |   | Yes                      | No                                  |
|-----|---|--------------------------|-------------------------------------|
| 10. | <b>Are you amending your minimum premium formula?</b>   |                          |                                     |
|     | If yes, attach documentation, including rate level impact as well as changes in multipliers, expense constants, maximum, etc. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 11. | <b>Are you changing your premium discount schedules?</b>  |                          |                                     |
|     | If yes, attach schedules and support, detailing premium or rate level changes.  | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

## NAIC LOSS COST DATA ENTRY DOCUMENT

1.	This filing transmittal is part of Company Tracking #	AR-WCV-09-08-RA
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2.	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	NCCI / AR-2008-06
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	Company Name		Company NAIC Number
3.	A. Pharmacists Mutual Insurance Company	B.	13714

	Product Coding Matrix Line of Business (i.e., Type of Insurance)		Product Coding Matrix Line of Insurance (i.e., Sub-type of Insurance)
4.	A. Workers Compensation	B.	Workers Compensation

5.

(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	FOR LOSS COSTS ONLY				
			(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
All Other Classes	-4.5%	0.0	73.1%	.994	1.226		1.226
Class 8835 only	-17.3%	-0.3	73.1%	1.394	1.720		1.427
Classes 8045 & 7380 only	-18 to -20%	-6 to -14%	73.1%	1.135	1.400		1.226
TOTAL OVERALL EFFECT	-10.3%	-1.4%					

6.

5 Year History

Rate Change History

Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio
2008	205	0.0	2/1/08	84	93	110.24	82.41
2007	207	-1.0	8/1/2007	302	24	7.8	38.62
2006	207	-5.9	8/1/2006	294	90	30.60	43.51
2005	210	-5.9	8/1/2005	284	73	25.69	43.51
2004	206	+2.3	8/1/2004	277	30	10.89	65.26
2003	201	-9.77	8/1/2003	277	80	29.02	44.55
2002	199	-17.35	8/1/2002	273	45	16.68	65.39

7.

Expense Constants	Selected Provisions
A. Total Production Expense	16.0
B. General Expense	6.5
C. Taxes, License & Fees	2.5
D. Underwriting Profit & Contingencies	1.9
E. Other (explain)	
F. TOTAL	26.9

8. Y Apply Lost Cost Factors to Future filings? (Y or N)

9. +9.1% Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): \_\_\_\_\_

10. -32.6% Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable): \_\_\_\_\_

PC RLC

# **PHARMACISTS MUTUAL INSURANCE COMPANY**

## **Workers Compensation ARKANSAS Rate Filing Memorandum**

Pharmacists Mutual Insurance Company (PMIC) is filing a revision to their workers compensation program. PMIC is a member and subscriber of NCCI for its workers compensation program and wishes to adopt the most current set of loss costs.

The overall effect on our rates with this filing includes: -18% decrease due to loss costs, 25% increase due to the expense constant and 13.4% overall increase due to the change in loss cost multipliers, for a total combined decrease of -1.4%.

The following exhibits contain the justification for the selected rate level change in this filing. As well as adopting NCCI's latest loss costs, we would also like to revise our current loss cost multipliers (LCMs) using our most current expenses. Please see the attached Exhibits for this information.

### **Exhibit 1**

Exhibit 1 contains a summary of the changes and states the overall rate level change to our book of business.

### **Exhibit 2**

Exhibit 2 presents the rate level indications for accident years 2003 – 2007 as of 12/31/2007. Actual earned premiums have been adjusted to current manual rates and losses have been developed to an ultimate settlement value and trended to the midpoint of the period that the rates are expected to be in effect. The resulting loss ratio is then compared to the expected loss ratio producing a gross indication. A credibility value has been assigned to the company data based on actual reported claim counts. The adjusted earned premium is calculated by applying the current rate level factors (Exhibit 3) to the accident year actual earned premium. The complement to the company data is a weighted average of the annual loss trend. The loss trend percentage was obtained from Arkansas' 2008 Ratemaking Report. The weighted indicated change is -10.3%.

### **Exhibit 3**

Exhibit 3 contains company rate change history and the calculation of current rate level factors.

**Exhibit 4**

Exhibit 4 contains payroll trend through 2007.

**Exhibit 5**

Exhibit 5 contains the calculation of PMIC's adjusted losses through 2007.

**Exhibit 6**

Exhibit 6 contains PMIC's loss development through 2007. The selected loss link ratios are most reflective of what we expect in the future, and represent the ratios used to measure company reserves for this line.

**Exhibit 7**

Exhibit 7 contains a summary of Arkansas' benefit level adjustments.

**Exhibit 8**

Exhibit 8 contains the calculation of annual loss trend factors.

**Exhibit 9**

Exhibit 9 contains a summary and calculation of our credibility percentage.

**Exhibit 10**

Exhibit 10 contains the calculation of investment income from unearned premium reserves and loss and loss expense reserves.

**Exhibit 11**

PMIC's Countrywide and Arkansas' Underwriting Expense History for workers compensation is contained in Exhibit 11. Selected Total Underwriting Expenses of 26.9% are used in this filing because that is our anticipated long-term expense ratio.

# PHARMACISTS MUTUAL INSURANCE COMPANY

Exhibit 1

## ARKANSAS Workers' Compensation Summary of Changes

Loss Cost Change	\$251,452		-18.0%
All other credits & charges	<u>(\$1,390)</u>		
	\$250,062		
Current Expense Constant		\$160	
Revised Expense Constant		\$200	
Change in Expense Constant	\$32,625		25.0%
Current LCM: Class 8835		1.427	
Revised LCM: Class 8835		1.720	
Change in LCM	\$66,316		20.5%
Current LCM: Classes 8045 & 7380		1.226	
Revised LCM: Classes 8045 & 7380		1.400	
Change in LCM	\$140,296		14.2%
Current LCM: All Other Classes		1.226	
Revised LCM: All Other Classes		1.226	
Change in LCM	\$43,450		0.0%
Total Change in LCM			13.4%
Total Rate Level Change	\$282,687		-1.4%



# PHARMACISTS MUTUAL INSURANCE COMPANY

Exhibit 2

## ARKANSAS Workers' Compensation Rate Level Indications at December 31, 2007

Development of Adjusted Earned Premium and Adjusted Reported Losses							
		Accident Year					Total
		2003	2004	2005	2006	2007	
(1)	Actual Earned Premium	\$271,787	\$267,395	\$274,230	\$282,373	\$285,752	\$1,381,537
(2)	Current Rate Level Factor	0.879	0.885	0.927	0.980	0.998	
(3)	Payroll Trend	1.058	1.048	1.037	1.027	1.017	
(4)	Adjusted Earned Premium	252,757	248,004	263,617	284,197	290,029	\$1,338,603
(5)	Adjusted Losses	94,872	6,863	52,002	69,010	26,763	\$249,510
(6)	Loss Development Factor	1.046	1.067	1.099	1.242	1.769	
(7)	Benefit Level Factor	1.013	1.010	1.007	1.001	1.000	
(8)	Loss Trend Factor	0.855	0.877	0.900	0.923	0.947	
(9)	Adjusted Losses	85,932	6,484	51,781	79,160	44,839	\$268,196
(10)	Adjusted Loss Ratio	34.0%	2.6%	19.6%	27.9%	15.5%	20.0%

Rate Level Indications		
(11)	Experience Loss Ratio [Row 10]	20.0%
(12)	Expected Loss Ratio [Exhibit 12]	58.0%
(13)	Indicated Rate Level Change [(Row 11 ÷ Row 12) - 1.00]	-65.5%
(14)	Credibility [Exhibit 10]	11.0%
(15)	Annual Loss Trend ÷ Annual Payroll Trend [Exhibits 9 and 5]	-3.5%
(16)	Weighted Indicated Change [(Row 13 x Row 14)+(Row 15 x (1.00 - Row 14))]	-10.3%
(17)	Selected Change	-1.4%
(18)	Assumed Effective Date	9/1/2008

Notes:	(1)	Internal Company Reports	(6)	Exhibit 7
	(2)	Exhibit 3	(7)	Exhibit 8
	(3)	Exhibit 5	(8)	Exhibit 9
	(4)	Row (1) * Row (2) * Row (3)	(9)	Row (5) * Row (6) * Row (7) * Row (8)
	(5)	Exhibit 6	(10)	Row (9) / Row (4)

# PHARMACISTS MUTUAL INSURANCE COMPANY

Exhibit 3

## ARKANSAS

### Workers' Compensation

#### Rate Change History and Calculation of Current Rate Level Factors (CRLF)

Effective Date	Rate Change	Rate Level Index
		1.000
8/1/2003	-9.77%	0.902
8/1/2004	2.30%	0.923
8/1/2005	-5.90%	0.869
8/1/2006	-5.90%	0.817
8/1/2007	-1.00%	0.809
2/1/2008	0.00%	0.809

Year	Average Rate Level	Current Rate Level
2003	0.921	0.879
2004	0.915	0.885
2005	0.873	0.927
2006	0.825	0.980
2007	0.811	0.998

# PHARMACISTS MUTUAL INSURANCE COMPANY

Exhibit 4

## ARKANSAS Workers' Compensation Payroll Trend

Assumed Effective Date =====>

9/1/2008

Selected Annual Payroll Trend\* =====>

1.0%

(1)	(2)	(3)	(4)	(5)
2003	7/1/2003	3/1/2009	5.667	1.058
2004	7/1/2004	3/1/2009	4.667	1.048
2005	7/1/2005	3/1/2009	3.667	1.037
2006	7/1/2006	3/1/2009	2.667	1.027
2007	7/1/2007	3/1/2009	1.667	1.017

- (1) Accident Year.
- (2) Midpoint of experience period.
- (3) Midpoint of period for which rates will be effective.
- (4) Number of years from Column (2) to Column (3).
- (5) Payroll Trend Factor.

\* Payroll trend included in NCCI's loss cost analysis

**PHARMACISTS MUTUAL INSURANCE COMPANY**

Exhibit 5

**Workers' Compensation  
Trended Ultimate Losses  
ARKANSAS**

(1)	(2)	(3)	(4)
Accident Year	Actual Paid Losses	Actual Outstanding Losses	Adjusted Losses
2003	85,924	8,948	94,872
2004	6,863	0	6,863
2005	44,166	7,836	52,002
2006	62,495	6,515	69,010
2007	9,590	17,173	26,763

Source: (2) Internal Reports  
(3) Internal Reports  
(4) = (2) + (3)

**PHARMACISTS MUTUAL INSURANCE COMPANY**  
**PROJECTED DIRECT & ASSUMED ULTIMATE LOSSES BASED ON REPORTED LOSS DEVELOPMENT**  
Schedule P - Part 1D - Workers' Compensation

Exhibit 6

<b>Direct &amp; Assumed Cumulative Losses Reported (\$000's)</b>										
Accident Year	Months of Development									
	12	24	36	48	60	72	84	96	108	120
1998	835	1,474	1,574	1,971	2,150	2,164	3,361	3,347	3,360	3,268
1999	1,013	1,891	2,222	2,252	2,201	2,240	2,251	2,338	2,311	
2000	1,870	2,736	3,482	3,251	3,281	3,350	3,347	3,353		
2001	2,661	7,704	8,935	10,405	11,202	10,501	10,506			
2002	3,479	4,912	5,559	5,372	5,244	5,344				
2003	5,510	8,314	9,163	9,186	9,475					
2004	6,969	10,085	10,783	10,753						
2005	6,916	9,109	10,563							
2006	5,972	8,489								
2007	6,575									

<b>Direct &amp; Assumed Reported Loss Link Ratios</b>										
Accident Year	Development Intervals									
	12:24	24:36	36:48	48:60	60:72	72:84	84:96	96:108	108:120	120:Ult
1998	1.765	1.068	1.252	1.091	1.007	1.553	0.996	1.004	0.973	
1999	1.867	1.175	1.014	0.977	1.018	1.005	1.039	0.988		
2000	1.463	1.273	0.934	1.009	1.021	0.999	1.002			
2001	2.895	1.160	1.165	1.077	0.937	1.000				
2002	1.412	1.132	0.966	0.976	1.019					
2003	1.509	1.102	1.003	1.031						
2004	1.447	1.069	0.997							
2005	1.317	1.160								
2006	1.421									

<b>Summary of Direct &amp; Assumed Link Ratios</b>										
	Development Intervals									
	12:24	24:36	36:48	48:60	60:72	72:84	84:96	96:108	108:120	120:Ult
Average	1.677	1.142	1.047	1.027	1.000	1.139	1.012	0.996	0.973	
3 Yr. Wght. Avg.	1.394	1.109	0.992	1.038	0.973	1.001	1.009	0.998	0.973	
Excl H-L	1.555	1.133	1.029	1.024	1.015	1.003	1.012	0.996	0.973	
Weighted Average	1.553	1.131	1.035	1.034	0.980	1.066	1.009	0.998	0.973	
Selected	1.425	1.130	1.030	1.020	1.015	1.010	1.010	1.005	1.005	1.000
Cumulative	1.769	1.242	1.099	1.067	1.046	1.030	1.020	1.010	1.005	1.000

	2007	2006	2005	2004	2003
Loss Dev Factor	1.769	1.242	1.099	1.067	1.046

**PHARMACISTS MUTUAL INSURANCE COMPANY**

Exhibit 7

**ARKANSAS  
Workers' Compensation  
Benefit Level Adjustments**

Effective Date	Benefit Change	Benefit Level Index
		1.000
1/1/1994	1.0%	1.010
9/1/1994	0.6%	1.016
1/1/1995	0.2%	1.018
1/1/1996	3.1%	1.050
1/1/1996	0.2%	1.052
1/1/1996	0.4%	1.056
1/1/1997	0.4%	1.060
5/21/1997	1.0%	1.071
1/1/1998	0.7%	1.078
4/30/1998	0.2%	1.080
1/1/1999	0.5%	1.086
1/1/2000	0.6%	1.092
5/15/2000	4.5%	1.142
1/1/2001	0.5%	1.147
7/1/2001	0.3%	1.151
1/1/2002	0.4%	1.155
1/1/2003	0.4%	1.160
1/1/2004	0.3%	1.163
1/1/2005	0.3%	1.167
1/1/2006	0.5%	1.173
4/1/2006	0.1%	1.174
4/1/2007	0.1%	1.175

Accident Year	Average Benefit Level	Current Benefit Level
2003	1.160	1.013
2004	1.163	1.010
2005	1.167	1.007
2006	1.174	1.001
2007	1.175	1.000

# PHARMACISTS MUTUAL INSURANCE COMPANY

Exhibit 8

## ARKANSAS Workers' Compensation Effect of Loss Trend

(1) Assumed Effective Date: 9/1/2008

(2) Selected Annual Pure Premium Loss Trend: -2.5%

(3)	(4)	(5)	(6)	(7)
2003	7/1/2003	9/1/2009	6.167	0.855
2004	7/1/2004	9/1/2009	5.167	0.877
2005	7/1/2005	9/1/2009	4.167	0.900
2006	7/1/2006	9/1/2009	3.167	0.923
2007	7/1/2007	9/1/2009	2.167	0.947

### NOTES:

- (1) Judgment
- (2) Judgment based on data in NCCI Technical Appendix
  - Assumed Net Indemnity Pure Premium Trend: -3.5%
  - Assumed Net Medical Pure Premium Trend: 1.0%
- (3) Accident Year
- (4) Midpoint of Accident Year
- (5) Midpoint of policy period for which rates will be effective
- (6) Number of years from Column (4) to Column (5)
- (7)  $[1.00 + \text{Row (2)}]^{\text{Column (6)}}$

# PHARMACISTS MUTUAL INSURANCE COMPANY

Exhibit 9

## ARKANSAS Workers' Compensation Credibility

A value of 1,082 claims implies that the number of claims (n) is within 5% of the expected value 90% of the time.

That is to say that  $1,082 = (1.645/.05)^2$ , where 1.645 is the 90th percentile of standard normal distribution.

If we assume a Poisson claim distribution, then CV is the coefficient of variation where:

$CV = \text{standard deviation} / \text{mean}$ .

Then the number of claims for full credibility =  $N = n * (1 + CV^2)$

Based on a review of actual company data a coefficient of variation of 2.5 has been selected. This would imply that the number of claims needed for full credibility would be: 7,845

Partial Credibility =  $(\text{Actual number of claims} / N)^{.5}$

	Number of Reported Claims						Credibility
	2003	2004	2005	2006	2007	Total	
Workers' Comp	21	14	24	20	15	94	11%



**PHARMACISTS MUTUAL INSURANCE COMPANY**

Exhibit 10

**Countrywide - 2007****Workers Compensation****Estimated Investment Earnings on Unearned Premium  
Reserves and on Loss and Loss Expense Reserves**

A. Unearned Premium Reserve		
1. Direct Earned Premium for Latest Available Year		\$25,439
2. Mean Unearned Premium Reserve: (1) x 30.4%		\$7,735
3. Deduction for Prepaid Expenses		
Commission and Brokerage Expense	8.0%	
Taxes, Licenses and Fees	2.5%	
50% of Other Acquisition Expense	4.0%	
50% of Company Operating Expense	3.3%	
Total	17.8%	
4. Deduction for Federal Taxes Payable	6.80%	
5. (2) x [(3) + (4)]		\$1,899
6. Net Subject to Investment (2) - (5)		\$5,836
B. Delayed Remission of Premium (Agents' Balances)		
1. Direct Earned Premium (A.1)		\$25,439
2. Average Agents' Balance	0.3002	
3. Delayed Remission (1) x (2)		\$7,636
C. Loss Reserve		
1. Direct Earned Premium (A.1)		\$25,439
2. Expected Incurred Losses and Loss Adjustment Expenses (1) x	73.1%	\$18,596
3. Expected Mean Loss Reserves (2) x	133.2%	\$24,770
D. Net Subject to Investment (A.6) - (B.3) + (C.3)		
		\$22,970
E. Average Rate of Return		
	4.3%	
F. Investment Earnings on Net Subject to Investment (D) x (E)		
		\$998
G. Average Rate of Return as a Percent of Direct Earned Premium (F)/(A.1)		
	3.9%	
H. Average rate of Return as a Percent of Direct Earned Premium After Federal Income Taxes (G) x (1-		
	21.36%	3.1%

# Pharmacists Mutual Insurance Company

Workers' Compensation

Exhibit 11

## Underwriting Expense History

Countrywide (\$000's omitted)												
	2003		2004		2005		2006		2007		Total	
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
Written Premium	\$20,808		\$22,754		\$25,265		\$24,832		\$25,937		\$119,596	
Earned Premium	19,235		22,479		24,295		24,621		25,439		116,069	
Commission and Brokerage (W)	15	0.1%	16	0.1%	13	0.1%	0	0.0%	4	0.0%	48	0.0%
Other Acquisition Expense (W)	3,183	15.3%	3,408	15.0%	3,736	14.8%	3,729	15.0%	3,861	14.9%	17,917	15.0%
General Expense (E)	855	4.1%	927	4.1%	1,184	4.9%	1,394	5.7%	1,702	6.7%	6,062	5.2%
Taxes, Licenses, and Fees (W)	843	4.1%	645	2.8%	909	3.6%	753	3.0%	723	2.8%	3,873	3.2%
Incurring Loss	\$8,570		\$14,671		\$10,571		\$10,714		\$12,532		\$57,058	
Defense Expense	1,005	11.7%	1,310	8.9%	1,171	11.1%	967	9.0%	1,615	12.9%	6,068	10.6%
Adjusting Expense	1,283	15.0%	1,627	11.1%	1,383	13.1%	2,315	21.6%	1,720	13.7%	8,328	14.6%
Total LAE	2,288	26.7%	2,937	20.0%	2,554	24.2%	3,282	30.6%	3,335	26.6%	14,396	25.2%

State of Arkansas (Actual Dollars)												
	2003		2004		2005		2006		2007		Total	
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
Written Premium	\$279,075		\$285,753		\$293,491		\$293,666		\$305,778		\$1,457,763	
Earned Premium	277,213		277,473		284,249		293,875		301,722		1,434,532	
Commission and Brokerage (W)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Taxes, Licenses, and Fees (W)	7,591	2.7%	7,848	2.7%	9,253	3.2%	8,342	2.8%	8,785	2.9%	41,819	2.9%
Incurring Loss	\$80,436		\$30,218		\$73,033		\$89,924		\$54,955		\$328,566	
Defense Expense	13,963	17.4%	4,678	15.5%	6,016	8.2%	8,050	9.0%	(160)	-0.3%	32,547	9.9%

Selected Expense Provisions	
Commission and Brokerage	0.0%
Other Acquisition Expense	16.0%
General Expense	6.5%
Taxes, Licenses, and Fees	2.5%
Other (explain, i.e. claims adjusting expense)	0.0%
Profit (Including Investment Income)	1.9%
Total Underwriting Expenses	26.9%
Expected Loss & LAE Ratio	73.1%
LAE	26.0%
Expected Loss Ratio	58.0%

**PHARMACISTS MUTUAL INSURANCE COMPANY**

Exhibit 1

**ARKANSAS  
Workers' Compensation  
Summary of Changes**

Loss Cost Change	\$251,452		-18.0%
All other credits & charges	<u>(\$1,390)</u>		
	\$250,062		
Current Expense Constant		\$160	
Revised Expense Constant		\$200	
Change in Expense Constant	\$32,625		25.0%
Current LCM: Class 8835		1.427	
Revised LCM: Class 8835		1.720	
Change in LCM	\$66,316		20.5%
Current LCM: Classes 8045 & 7380		1.226	
Revised LCM: Classes 8045 & 7380		1.400	
Change in LCM	\$140,296		14.2%
Current LCM: All Other Classes		1.226	
Revised LCM: All Other Classes		1.226	
Change in LCM	\$43,450		0.0%
Total Change in LCM			13.4%
Total Rate Level Change	\$282,687		-1.4%